

VZCZCXRO9931
RR RUEHTRO
DE RUEHRB #0619/01 1001528
ZNR UUUUU ZZH
R 101528Z APR 07
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 6282
INFO RUEHAS/AMEMBASSY ALGIERS 4377
RUEHAM/AMEMBASSY AMMAN 0562
RUEHEG/AMEMBASSY CAIRO 2039
RUEHNC/AMEMBASSY NOUAKCHOTT 3462
RUEHTRO/AMEMBASSY TRIPOLI 0156
RUEHTU/AMEMBASSY TUNIS 9251
RUEHCL/AMCONSUL CASABLANCA 2887
RUEHRC/USDA FAS WASHDC 1026

UNCLAS SECTION 01 OF 02 RABAT 000619

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E.O. 12958: N/A

TAGS: [ECIN](#) [ECON](#) [EFIN](#) [ETRD](#) [MA](#)

SUBJECT: MOROCCO IMPLEMENTS AGADIR AGREEMENT-- WITH A CATCH

REF: A. RABAT 528

[1](#)B. RABAT 362

[1](#)1. (SBU) Summary: Three years after its signature and nearly a year after it technically entered into force, Morocco on March 27 finally published the customs circular necessary to implement the Agadir Agreement. That accord, signed by Morocco, Tunisia, Jordan, and Egypt in 2004, established a free trade area among the four countries as a step towards fulfillment of the 1995 Barcelona Declaration's vision of a Euro-Mediterranean free trade area by 2010. The circular was long delayed, however, by Morocco's fear that it would be forced to extend duty free entry to a range of sensitive agricultural imports from the United States under our own bilateral FTA, if such products were admitted duty free from the Agadir signatories. To resolve the impasse, Morocco ultimately decided to exclude these 128 sensitive agricultural products from the Agadir agreement, notwithstanding the fact the agreement itself calls for complete elimination of duties on all industrial, agricultural, and agro-industrial products. Moroccan officials indicate that they formally notified counterpart governments of this decision in advance, and have not received any objections. The decision brings closure to an issue that has been the poster child of critics of Morocco's regional trade policy, at a time when there is increasing discussion here of the importance (and promise) of regional economic integration. End Summary.

[1](#)2. (SBU) The Agadir agreement, a flagship project for regional free trade initiated by Morocco in 2001 and signed in February 2004, has languished since it formally entered into force in July 2006. While technically in effect, the failure of Moroccan customs to issue implementing customs circulars meant that practically it had no effect on the ground. In private conversations, government contacts concede that unlike Morocco's trade agreements with Turkey, the United States, and the European Union, which were negotiated in great detail and saw regular and intensive consultation with concerned Moroccan industries, the Agadir agreement and other similar regional or pan-Arab agreements were "political statements," which were entered into with much less preparation.

[1](#)3. (SBU) As a result, as officials at the National Export Council have explained to us, as it moved to implement the Agadir agreement Morocco quickly perceived an embarrassing

complication: any decision to grant preferential access to a list of sensitive agricultural products including beef, chicken, wheat, and other goods from Jordan, Tunisia or Egypt would require Morocco to grant an equivalent preference to the United States. Morocco had negotiated an exception to this requirement in an exchange of letters dated June 15, 2004 between USTR Robert Zoellick and Minister-Delegate Fassi-Fihri, but the letters indicated that "Morocco does not anticipate importing any agricultural good from an Arab League country if that country is not a net exporter of that good." None of the other Agadir signatories, however, are net exporters of the goods in questions.

14. (SBU) After a delay of nearly a year as various authorities considered how to resolve the problem, Morocco ultimately decided to formally exclude these goods from application of the Agadir Agreement. The preamble to the March 27 circular implementing the Agadir Accord (5047/223) thus makes its application subject to relevant provisions in the circular that implemented the U.S.-Morocco FTA (No. 4977/222). Those latter provisions provide that the 128 products listed in annex 10 of the Moroccan Customs implementing regulations "cannot be imported in a preferential category derived from bilateral, regional, or multilateral free trade agreements" with certain countries, unless those countries are net exporters of the products concerned. The circular further specified in a separate list in the same annex the list of countries that are not net exporters; all three other Agadir signatories figure on this list.

15. (SBU) While some in the Moroccan press who have been critical of the Agadir Agreement have had a field day with the decision, Moroccan officials defend it, emphasizing that

RABAT 00000619 002 OF 002

there have been no objections from the other parties to the agreement. In comments to a leading economic weekly, Minister of External Commerce Mechahouri stressed that all three countries were "consulted and made aware" of the issue.

He argued that Morocco was the only country to find itself in such a situation as only it has a free trade agreement with the United States (NB obviously overlooking the U.S.-Jordanian FTA), and in a play on words concluded that "to open ("s'ouvrir") does not mean to suffer ("suffrir") or to surrender ("s'offrir"). Questioned about the Agadir decision, officials at the Foreign Ministry have been quick to stress that the Customs decision puts Morocco in full compliance with its obligations toward the United States, and that this was the primary consideration guiding the Agadir circular.

16. (SBU) The Customs decision comes at a time when regional economic integration is very much the topic of conversation in Moroccan government circles. In addition to the newfound activism of the Arab Maghreb Union (UMA) on the topic (reftel) and the creation in Marrakech in February of a regional business confederation uniting business associations across the Maghreb, recent months have also seen conferences hosted by the UN Economic Council for Africa (UNECA) and the Moroccan High Planning Commission (HCP), all positing that increased intra-regional trade could unlock a virtuous cycle of exports leading to faster economic growth and reduced unemployment. Experts note that with intra-regional trade in the Maghreb only constituting 3 percent of total trade flows, the region lags far behind its peers in Latin America and Asia. They note too the potential advantages that could accrue from greater cooperation as the region moves towards free trade with Europe under the Euro-Mediterranean dialogue launched at Barcelona in 1995. Maghreb countries, they argue, would do better to negotiate as a block with the EU, instead of dealing individually with it. The theme of regional integration has also been pushed by the IMF, most recently in the Deputy Managing Director's visit to Morocco on April 4.

¶7. (SBU) Comment: In the context of these long-range visions, issuance of regulations allowing effective implementation of the Agadir Agreement is a modest step. It nonetheless removes an embarrassing cloud that has hung over the agreement since its signature. Though some predict complaints from other signatories about Moroccan back-tracking, others point to similar failures in other countries (Tunisia's failure to allow importation of the "Logan"-- an inexpensive Moroccan-produced vehicle-- is a particularly sore subject) and predict that they will let the issue slide, particularly given the fact that historically there has been almost no trade in the goods in question. End Comment.

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